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Ratings

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Chubb Insurance Singapore Ltd.

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Chubb Insurance Singapore Ltd.

Major Rating Factor

- Highly strategic subsidiary of Chubb Group, resulting in likely group support.

Operating Company Covered By This Report
Financial Strength Rating
Local Currency
AA-/Stable/--

Rationale

The rating on Chubb Insurance Singapore Ltd. (Chubb Singapore) reflects the important role the insurer plays in supporting the wider Chubb Ltd.'s (Chubb Group) strategy in Asia. We view Chubb Singapore as a highly strategic subsidiary of the group. The rating on Chubb Singapore is one notch lower than the group credit profile.

Chubb Singapore will continue to benefit from long-term support provided by the group in the areas of underwriting expertise, reinsurance arrangements, distribution support, investment advisory, data analytics, and technology. The insurer is likely to maintain a satisfactory underwriting performance backed by the group's prudent risk control. It benefits from the parent group's strong risk management framework, with close alignment between developments in Singapore and those at the regional office and the group level.

Chubb Group is highly unlikely to divest its interest in Chubb Singapore, despite the insurer's small contribution in terms of capital and earnings. Chubb Singapore's strategic role in supporting multinational clients in Southeast Asia, while maintaining modest market position and profitability in Singapore, underpins its importance to the group. The group's investments in a few distribution/digital partnerships in the region over the years will also benefit its Singapore subsidiary. In our view, the group's investments to strengthen distribution reinforces its commitment to broaden its presence in Asia.

Chubb Singapore is likely to maintain its sound market presence in Singapore's highly competitive and fragmented property and casualty (P/C) sector. In our view, the insurer's premium growth will be moderate through 2022 as it continues to focus on growing its property and personal segments. This is given modest rate improvements in some lines in the first half of 2021 and the insurer's emphasis on growing its small and medium enterprise accounts. However, growth in accident and health lines is likely to remain muted due to sustained COVID-19-related social distancing measures and travel restrictions.

Chubb Singapore's market position over the next two years will likely benefit from its distribution partnerships, which provide the insurer a larger customer base and sizable presence. The insurer's multiple digital collaborations and gradual growth in its agency channel should also contribute to its premiums and business diversity. For 2020, Chubb Insurance maintained a 5.5% market share in terms of gross premiums written. A marginal decline in gross premiums during the year was primarily due to reduction in personal accident and health (travel related), and professional indemnity lines.

We expect Chubb Singapore's operating performance to remain modest over the next two years, supported by its profitable casualty and personal lines. The insurer's five-year average net combined ratio was about 91.7% in 2016-2020, a slightly better underwriting performance than the industry's (at about 96%). We estimate Chubb Singapore will maintain a combined ratio of 90%-95% through 2022. This reflects the insurer's continued focus on underwriting and ability to maintain lower loss ratios, similar to those for its legacy books. We believe COVID-19 will have a limited impact on Chubb Singapore, given the insurer has no material pandemic-related claims.

Chubb Singapore's effective use of intergroup reinsurance arrangements limits underwriting volatility. The insurer's combined ratio weakened to 96.5% in 2020 from 81.6% in 2019, partly due to reserve movements in personal lines, reduced commission income, and higher operating costs. We believe Chubb Insurance's COVID-19 exposures will not have any significant impact on the company.

Chubb Singapore is likely to maintain sound capitalization and manageable risk exposures, despite a relatively small capital base of Singapore dollar 248 million. The insurer's conservative investments, which consists mainly of highly rated fixed-income securities, limits its investment risk exposure. As of Dec. 31, 2020, Chubb Singapore's regulatory capital adequacy (under the new risk-based capital regime) ratio was 237.9%, well above the regulatory minimum requirement of 125%.

Chubb Singapore is debt free and has strong liquidity, aided by its cash holdings and liquid fixed-income securities. These should be enough to meet short-term needs, if required.

Chubb Insurance Singapore Ltd.--Key Metrics

	--Year ended Dec. 31--				
(Mil. S$)	**2020**	**2019**	**2018**	**2017**	**2016**
Gross premiums written	310.0	313.5	297.7	254.4	239.8
Net income (attributable to all shareholders)	7.0	21.4	(3.3)	7.1	21.1
Financial leverage (%)	0.0	0.0	0.0	0.0	0.0
Return on shareholders' equity (%)	2.6	7.8	(1.2)	3.4	19.8
Net investment yield (%)	1.8	2.0	1.5	1.3	1.5
Net combined ratio (%)	96.5	81.6	106.5	92.2	82.0
Return on revenue (%)	6.1	17.8	1.0	10.5	27.9

S$--Singapore dollar.

Outlook

The stable outlook on Chubb Singapore reflects the rating outlook on core entities of Chubb Group (core operating subsidiaries rated AA/Stable/--) and our view that the insurer will remain a highly strategic subsidiary of the group over the next two years.

Downside scenario

We could lower the ratings on Chubb Singapore if we lower our assessment of the group credit profile. We could also lower the ratings if the insurer's strategic relationship with Chubb Group weakens. This could happen if Chubb Singapore's operating performance deteriorates or the group's strategic focus changes, both of which we view as unlikely over the next 12–24 months.

Upside scenario

We could upgrade Chubb Singapore if our assessment of the group credit profile improves or we believe the insurer's strategic relationship with the group has strengthened. Chubb Singapore's increased involvement with the group in areas such as product development and strategy, or a sustainable growth in the insurer's share in the Singapore market while maintaining underwriting profitability would indicate strengthened involvement. In our view, an upgrade is unlikely over the next 12–24 months.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Chubb Ltd., March 17, 2021

Ratings Detail (As Of August 12, 2021)*	
Operating Company Covered By This Report	
Chubb Insurance Singapore Ltd.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
Domicile	Singapore

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.